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E.O. 11652: N/A

TAGS: CIEC, EFIN, EINV

SUBJECT: CIEC FINANCIAL AFFAIRS COMMISSION: U.S. PAPER  
ON ACCESS TO CAPITAL MARKETS AND DIRECT INVESTMENT

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REF: A) STATE 254939, B) OECD PARIS 31167

1. THERE FOLLOWS BELOW TEXT OF PAPER PRESENTED BY  
U.S. DELEGATION TO CIEC FINANCIAL AFFAIRS COMMISSION.  
IT REPRESENTS COMBINATION OF THE TWO DRAFT PAPERS  
TRANSMITTED REFTEL A), MODIFIED IN THE LIGHT OF THE  
DISCUSSIONS IN THE TEMPORARY WORKING PARTY (REF B)  
AND WITHIN G-8.

BEGIN TEXT

CONFERENCE ON INTERNATIONAL ECONOMIC COOPERATION  
U.S. PROPOSALS FOR FINANCIAL AFFAIRS COMMISSION CON-  
CLUSIONS ON

DEVELOPING COUNTRY ACCESS TO CAPITAL MARKETS AND  
DIRECT INVESTMENT IN THE DEVELOPING COUNTRIES

#### I. GENERAL

1. THE COMMISSION AGREED THAT FORESEEABLE GLOBAL REQUIRE-  
MENTS FOR INVESTMENT WILL BE MASSIVE AND THAT DEVELOPING  
COUNTRIES IN PARTICULAR WILL REQUIRE SUBSTANTIALLY  
INCREASED CAPITAL FLOWS. AN IMPORTANT CONTRIBUTION THAT  
INVESTMENT MAKES TO DEVELOPING NATIONS LIES FIRST AND  
FOREMOST IN THE EXPANSION OF A NATION'S CAPACITY TO  
PRODUCE THE GOODS NEEDED BY ITS PEOPLE AND THE EXPORTS  
NECESSARY TO EARN FOREIGN EXCHANGE. WHILE DOMESTIC  
SAVINGS UNIVERSALLY ARE A CRUCIAL SOURCE OF CAPITAL,  
WITH VERY FEW EXCEPTIONS, MOST DEVELOPING NATIONS  
SUPPLEMENT DOMESTIC SOURCES OF CAPITAL WITH CAPITAL  
FROM FOREIGN SOURCES. THEREFORE, THE COMMISSION PLACED  
A HIGH PRIORITY ON DEVELOPING SOLUTIONS TO TWO INTER-  
RELATED PROBLEMS FACED BY DEVELOPING COUNTRIES; FIRST,  
HOW BEST TO ASSURE THE ACCESS OF DEVELOPING NATIONS TO  
THE WORLD'S CAPITAL MARKETS AND, SECOND, HOW BEST TO  
ASSURE AN ADEQUATE FLOW OF DIRECT INVESTMENT TO THE  
DEVELOPING COUNTRIES, ENCOURAGING THE POSITIVE BENEFITS  
TO DEVELOPING COUNTRIES SUCH INVESTMENTS CAN MAKE AND  
MINIMIZING AND RESOLVING ANY DIFFICULTIES TO WHICH THE  
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OPERATIONS OF DIRECT INVESTORS MAY GIVE RISE. DEVELOP-  
ING SOLUTIONS TO THESE PROBLEMS IS OF PARTICULAR  
IMPORTANCE TO THE DEVELOPING NATIONS GIVEN THEIR SUB-  
STANTIAL REQUIREMENTS FOR FOREIGN CAPITAL. THIS IS ALSO  
A MATTER OF GENERAL IMPORTANCE TO ALL NATIONS OF THE  
WORLD, FOR SOLUTIONS TO THESE PROBLEMS WILL REPRESENT  
A MAJOR STEP IN IMPROVING THE FUNCTIONING OF THE WORLD'S  
ECONOMIC SYSTEM BY PROMOTING A FREER, MORE EFFICIENT

ALLOCATION OF CAPITAL TO THOSE AREAS WHERE IT CAN BE  
MOST EFFECTIVELY EMPLOYED.

II. DEVELOPING COUNTRY ACCESS TO CAPITAL MARKETS

2. THE FINANCIAL AFFAIRS COMMISSION NOTED THE RECENT  
INCREASE IN FLOW OF PRIVATE CAPITAL FROM THE WORLD'S  
CAPITAL MARKETS TO DEVELOPING NATIONS AND THE IMPORTANT  
ROLE WHICH PRIVATE FLOWS CAN PLAY IN THE DEVELOPMENT  
PROCESS. THE COMMISSION REVIEWED POSSIBLE METHODS  
OF IMPROVING PRIVATE FLOWS TO DEVELOPING NATIONS AND  
RECEIVED REPORTS ON THE ACTIVITIES OF THE WORKING GROUP  
ON ACCESS TO CAPITAL MARKETS OF THE IMF-IBRD DEVELOPMENT

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COMMITTEE. AMONG ITS ACTIVITIES, THE DEVELOPMENT COMMITTEE WORKING GROUP HAS REVIEWED: REGULATIONS AND OTHER PRACTICES AFFECTING CAPITAL MARKET ACCESS; THE USE OF COFINANCING BY THE INTERNATIONAL AND REGIONAL DEVELOPMENT BANKS; MECHANISMS FOR IMPROVING THE LIMITED OFFICIAL USE

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SECONDARY MARKET FOR DEVELOPING COUNTRY SECURITIES; THE USE OF MULTILATERAL GUARANTEES; AND TECHNICAL ASSISTANCE FOR DEVELOPING NATIONS SEEKING ACCESS TO PRIVATE FINANCIAL MARKETS.

3. THE COMMISSION NOTED THE RECENT USE OF COFINANCING BETWEEN PRIVATE SECTOR FINANCIAL INSTITUTIONS AND THE INTERNATIONAL AND REGIONAL DEVELOPMENT BANKS. THE COMMISSION WAS OF THE VIEW THAT COFINANCING CAN PLAY AN IMPORTANT ROLE IN EXPANDING AND MAINTAINING THE LEVEL OF PRIVATE FLOWS TO DEVELOPING COUNTRIES AND ENDORSES EXPANDED USE OF COFINANCING BY THE INTERNATIONAL AND REGIONAL DEVELOPMENT INSTITUTIONS.

4. THE COMMISSION RECOGNIZED THE POSSIBLE ROLE IN IMPROVING PORTFOLIO FLOWS TO DEVELOPING COUNTRIES OF THE PROPOSED INTERNATIONAL INVESTMENT TRUST WHICH WOULD BE AFFILIATED WITH THE INTERNATIONAL FINANCE CORPORATION OF THE IBRD. THE TRUST WOULD IN EFFECT BE A MUTUAL FUND ACCEPTING MONEY FROM INVESTORS IN SEARCH OF AN ADEQUATE RETURN AND INVESTING IN LOANS, EQUITY, AND BOND ISSUES OF DEVELOPING COUNTRY PRIVATE SECTOR FINANCIAL INSTITUTIONS OR ENTERPRISES. IN THIS WAY THE TRUST WOULD HELP PROVIDE AN INTERNATIONAL MARKET FOR DEVELOPING COUNTRY PRIVATE SECTOR DEBT AND EQUITY INSTRUMENTS AT NEGLIGIBLE ADDITIONAL FINANCIAL AND INSTITUTIONAL COST, SINCE THE INTERNATIONAL FINANCE CORPORATION HAS THE STAFF AND EXPERIENCE TO MANAGE SUCH A TRUST. THE COMMISSION ENCOURAGES ALL NATIONS TO EXAMINE THE INVESTMENT TRUST PROPOSAL, AND URGES THE DEVELOPMENT COMMITTEE WORKING GROUP TO GIVE HIGH PRIORITY TO THE PROPOSAL IN ITS REVIEW OF MECHANISMS FOR FACILITATING PRIVATE FLOWS TO DEVELOPING NATIONS.

5. THE COMMISSION RECOGNIZED THE IMPORTANT ROLE OF THE DEVELOPMENT COMMITTEE WORKING GROUP ON ACCESS TO CAPITAL MARKETS IN SEEKING TO IMPROVE PRIVATE FLOWS TO DEVELOPING NATIONS AND ENCOURAGES THE DEVELOPMENT COMMITTEE TO CONTINUE ITS STUDY OF THE MOST APPROPRIATE MECHANISMS FOR EXPANDING CAPITAL MARKET ACCESS.

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6. THE COMMISSION NOTED THE BENEFITS FOR BOTH DEVELOPING AND DEVELOPED NATIONS THAT DERIVE FROM THE FREE FLOW OF CAPITAL AMONG THE NATIONS OF THE WORLD, AND WELCOMES THE ADOPTION BY THE OCTOBER 1976 MEETING OF THE DEVELOPMENT COMMITTEE OF RECOMMENDATIONS CONCERNING CAPITAL MARKET LIBERALIZATION WHICH ARE RESPONSIVE TO THE NEEDS OF THE DEVELOPING COUNTRIES. THE DEVELOPMENT COMMITTEE AGREED THAT CAPITAL MARKET COUNTRIES WOULD ENDEAVOR, AS FAR AS THEIR BALANCE OF PAYMENTS SITUATION PERMITTED, TO MOVE PROGRESSIVELY TOWARD GREATER LIBERALIZATION OF CAPITAL MOVEMENTS, IN PARTICULAR CAPITAL OUTFLOWS. IN THE MEANWHILE, WHEN REGULATIONS GOVERNING CAPITAL OUTFLOWS ARE MAINTAINED FOR UNAVOIDABLE REASONS:

GOVERNMENTS OF CAPITAL MARKET COUNTRIES WOULD AFFORD FAVORABLE TREATMENT, AS AMONG FOREIGN BORROWERS, TO DEVELOPING COUNTRY BORROWERS WITH REGARD TO PERMISSION TO MAKE AN ISSUE OR PLACE IN THE ISSUE CALENDAR;

THOSE CAPITAL MARKET COUNTRIES WHICH CURRENTLY MAINTAIN QUANTITATIVE LIMITS ON THE AMOUNT OF FOREIGN ISSUES IN THEIR MARKETS WOULD ENDEAVOR TO KEEP DEVELOPING COUNTRY BORROWERS OUTSIDE THESE LIMITS, AT LEAST UP TO SPECIFIED AMOUNTS; AND

SINCE THE EUROBOND MARKET PRESENTS POTENTIAL OPPORTUNITIES FOR DEVELOPING COUNTRIES TO RAISE FINANCE, COUNTRIES WHOSE CURRENCIES ARE IN STRONG DEMAND, AND WHICH MAINTAIN RESTRICTIONS ON INTERNATIONAL ISSUES DENOMINATED IN THEIR CURRENCIES, WOULD ENDEAVOR TO GIVE FAVORABLE TREATMENT, AS AMONG FOREIGN BORROWERS, TO DEVELOPING COUNTRY BORROWERS.

7. THE COMMISSION SUPPORTS THE DEVELOPMENT COMMITTEE'S RECOMMENDATIONS CONCERNING THE LIBERALIZATION OF CAPITAL MARKET REGULATIONS, AND URGES ALL NATIONS TO TAKE

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APPROPRIATE STEPS TO IMPLEMENT THE COMMITTEE'S  
RECOMMENDATIONS. THE COMMISSION ALSO ENCOURAGES THE OECD  
COMMITTEE ON FINANCIAL MARKETS TO WORK TO IDENTIFY  
IMPEDIMENTS TO INTERNATIONAL FLOWS OF PORTFOLIO CAPITAL  
AND TO DISCUSS HOW PARTICULAR IMPEDIMENTS MAY BE REDUCED  
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OR ELIMINATED.

### III. DIRECT INVESTMENT IN DEVELOPMENT COUNTRIES

8. THE COMMISSION AGREED THAT, ALONG WITH THE FLOW OF LOANS FROM THE CAPITAL MARKETS AND OTHER FORMS OF PRIVATE PORTFOLIO CAPITAL, PRIVATE DIRECT FOREIGN INVESTMENT CAN IN THE FUTURE, AS IN THE PAST, PLAY AN IMPORTANT AND DISTINCTIVE ROLE IN FULFILLING THE CAPITAL REQUIREMENTS OF DEVELOPING NATIONS. ALONG WITH ITS DIRECT EXPANSION OF A NATION'S PRODUCTIVE CAPACITY, FOREIGN DIRECT INVESTMENT OFTEN BRINGS WITH IT OTHER SUBSTANTIAL ECONOMIC BENEFITS IN THE FORM OF TECHNOLOGY TRANSFER, MANAGERIAL AND ADMINISTRATIVE ASSISTANCE, MANPOWER TRAINING, AND THE ESTABLISHMENT OF EXPORT MARKETS FOR THE HOST COUNTRY'S PRODUCTS. IN CONTRAST TO DEBT CAPITAL, FOREIGN PRIVATE DIRECT INVESTMENTS DO NOT ADD TO THE FIXED DEBT SERVICE REQUIREMENTS OF A COUNTRY BUT RATHER LEAD TO REQUIREMENTS FOR EARNINGS REMITTANCES ONLY IF AND WHEN THE PROJECT REACHES THE PROFITABLE PRODUCTION STAGE.

9. THE COMMISSION RECOGNIZED THAT SOME CONCERNS WERE EXPRESSED ABOUT THE ROLE OF TRANSNATIONAL CORPORATIONS IN THE DEVELOPMENT PROCESS. HOWEVER, THE COMMISSION CONCLUDED THAT THERE IS NO INHERENT CONFLICT BETWEEN A HOST NATION'S ASPIRATIONS TO OBTAIN THE BENEFITS PRIVATE FOREIGN INVESTMENTS CAN BRING TO A NATION AND THE GOAL OF THE PRIVATE INVESTORS TO EARN A RETURN COMPETITIVE WITH ALTERNATIVE USES OF THEIR CAPITAL AND TO OPERATE IN A STABLE INVESTMENT CLIMATE. THUS THE COMMISSION AGREED THAT IT SHOULD BE THE COMMON AIM OF NATIONS TO ENCOURAGE THE POSITIVE CONTRIBUTIONS WHICH FOREIGN PRIVATE DIRECT INVESTMENTS CAN MAKE TO ECONOMIC AND SOCIAL PROGRESS AND TO MINIMIZE AND RESOLVE ANY DIFFICULTIES TO WHICH THEIR VARIOUS OPERATIONS MAY GIVE RISE.

10. THE COMMISSION CONSIDERED APPROACHES TO ASSURING AN ADEQUATE FLOW OF PRIVATE DIRECT INVESTMENTS TO  
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DEVELOPING COUNTRIES. IT WAS RECOGNIZED THAT CAPITAL IS A SCARCE RESOURCE FOR WHICH THERE ARE MANY COMPETING DEMANDS IN THE WORLD ECONOMY, AND THAT ANY COUNTRY

WISHING TO ENJOY THE BENEFITS OF FOREIGN INVESTMENT SHOULD AVOID ACTIONS WHICH NEEDLESSLY DETER SUCH INVESTMENTS. THE COMMISSION CONCLUDED THAT PROBABLY THE MOST IMPORTANT FACTOR IN A DEVELOPING COUNTRY'S APPROACH TO ATTRACTING FOREIGN DIRECT INVESTMENTS WOULD BE FOR THE GOVERNMENT OF THAT COUNTRY TO ASSURE A CLIMATE FOR FOREIGN INVESTMENTS THAT IS STABLE, WITH REASONABLE CERTAINTY OF CONDITIONS UNDER WHICH PROJECTS WILL OPERATE, AND AFFORDS OPPORTUNITIES FOR EARNING A FAIR RETURN. DEVELOPING COUNTRY GOVERNMENTS THAT SEEK TO ATTRACT PRIVATE CAPITAL SHOULD INDICATE THEIR WILLINGNESS TO TREAT INVESTORS FAIRLY AND IMPARTIALLY AND WITH SUFFICIENT FLEXIBILITY TO PERMIT NORMAL BUSINESS OPERATIONS. PROVISION OF THESE CONDITIONS CAN BE PERFECTLY CONSISTENT WITH HOST COUNTRY POLICIES.

11. IN PARTICULAR, THE COMMISSION IDENTIFIED THE FOLLOWING FOUR FUNDAMENTAL PRINCIPLES WHICH ANY NATION THAT WISHES TO ASSURE AN ADEQUATE FLOW OF PRIVATE DIRECT FOREIGN INVESTMENT SHOULD ENDEAVOR TO FOLLOW IN ESTABLISHING AN APPROPRIATE INVESTMENT CLIMATE:

A) THE PRINCIPLE OF NON-DISCRIMINATION, DENOTING BOTH GIVING FOREIGN INVESTORS NATIONAL TREATMENT, I.E., THE SAME TREATMENT AS THAT GIVEN TO NATIONALS (TO THE EXTENT THIS IS CONSISTENT WITH ESSENTIAL NATIONAL INTERESTS) AND PROVIDING MOST FAVORED NATION TREATMENT AMONG FOREIGN INVESTORS;

B) THE PRINCIPLE OF TIMELY AND UNRESTRICTED TRANSFER OF INCOME FROM INVESTMENTS, IN PARTICULAR PROFITS FROM CAPITAL INVESTED AND THE REPATRIATION OF CAPITAL UPON THE TERMINATION OF THE INVESTMENT;

C) THE PRINCIPLE OF FAIR TREATMENT IN THE EVENT OF

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NATIONALIZATION, WHICH CALLS FOR THE TAKING OF THE PROPERTY TO BE NONDISCRIMINATORY, FOR A PUBLIC PURPOSE, AND ACCOMPANIED BY PROMPT, ADEQUATE AND EFFECTIVE COMPENSATION; AND

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D) THE PRINCIPLE OF RECOURSE TO IMPARTIAL ARBITRATION IN THE CASE OF INVESTMENT DISPUTES.

THE LAST TWO OF THESE PRINCIPLES ARE DEVELOPED MORE FULLY IN WHAT FOLLOWS.

12. THE COMMISSION AGREED THAT THE NATIONALIZATION POLICY OF A HOST COUNTRY IS IMPORTANT IN AN INVESTOR'S PERCEPTION OF THE OVERALL INVESTMENT CLIMATE. UNDER INTERNATIONAL LAW, INVESTORS HAVE THE RIGHT TO EXPECT THAT THE TAKING OF PRIVATE PROPERTY WILL BE NONDISCRIMINATORY, FOR PUBLIC PURPOSE, AND WILL BE ACCOMPANIED BY

PROMPT, ADEQUATE, AND EFFECTIVE COMPENSATION. IT WAS ALSO NOTED THAT THERE ARE MANY ACTIONS SHORT OF THE TRADITIONAL FORM OF NATIONALIZATION WHICH HAVE SIMILAR EFFECTS AND WHICH MAY LEAD TO CLAIMS FOR APPROPRIATE COMPENSATION BY INVESTORS. THESE INCLUDE EXCESSIVE INTERFERENCE IN MANAGEMENT, COERCED SALE OF ASSETS, CONFISCATORY TAXATION, AND FORCED RENEGOTIATION OF CONTRACTS.

13. THE COMMISSION AGREED THAT ASSURANCES THAT NATIONALIZATION WOULD ONLY OCCUR IF THERE WERE A PUBLIC PURPOSE AND WOULD BE NONDISCRIMINATORY TOGETHER WITH ASSURANCES OF PROMPT, ADEQUATE AND EFFECTIVE COMPENSATION IN THE EVENT OF NATIONALIZATION WOULD BE IMPORTANT POSITIVE ELEMENTS IN THE INVESTMENT CLIMATE OF DEVELOPING COUNTRIES. GOVERNMENTS CAN OFFER THESE ASSURANCES UNILATERALLY. BILATERAL AGREEMENTS WHICH CONTAIN RECIPROCAL ASSURANCES THAT INVESTORS' PROPERTY RIGHTS WILL BE RESPECTED CAN PROVIDE AN EXCELLENT FRAMEWORK FOR THE DEVELOPMENT OF A STABLE AND ATTRACTIVE INVESTMENT CLIMATE. THE COMMISSION RECOMMENDED ALSO THAT THE INTERNATIONAL COMMUNITY GIVE FURTHER CONSIDERATION TO ESTABLISHING A MULTILATERAL CONVENTION ON INVESTMENTS THROUGH WHICH PARTICIPATING DEVELOPED AND DEVELOPING NATIONS COULD PROVIDE ON A RECIPROCAL BASIS ASSURANCES FOR THE FAIR AND EQUITABLE TREATMENT OF EACH OTHER'S INVESTMENTS, INCLUDING THE FOUR FUNDAMENTAL PRINCIPLES NOTED PREVIOUSLY, AND THEREBY FACILITATE THE INTERNATIONAL FLOW OF CAPITAL TO WHERE IT CAN BE MOST EFFECTIVELY EMPLOYED. ANY SUCH MULTILATERAL CONVENTION WHICH MIGHT BE ESTABLISHED WOULD BE WITHOUT PREJUDICE TO PREVIOUSLY EXISTING BILATERAL AGREEMENTS WHICH CONTAINED PROVISIONS WHOLLY OR PARTIALLY GRANTING A HIGHER DEGREE OF PROTECTION THAN THE CONVENTION ITSELF.

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LISHED WOULD BE WITHOUT PREJUDICE TO PREVIOUSLY EXISTING BILATERAL AGREEMENTS WHICH CONTAINED PROVISIONS WHOLLY OR PARTIALLY GRANTING A HIGHER DEGREE OF PROTECTION THAN THE CONVENTION ITSELF.

14. THE COMMISSION NOTED THAT EVEN WITH THE BEST OF INTENTIONS ON ALL SIDES, INVESTMENT DISPUTES CAN ARISE. IN SITUATIONS WHERE BILATERAL EFFORTS ARE NOT SUCCESSFUL IN RESOLVING INVESTOR/HOST COUNTRY DISPUTES, THE COMMISSION RECOMMENDED THAT GOVERNMENTS TAKE ADVANTAGE OF THE OPPORTUNITY AFFORDED BY THE WORLD BANK'S INTERNATIONAL CENTER FOR THE SETTLEMENT OF INVESTMENT DISPUTES OR OTHER FORUMS FOR INTERNATIONAL ARBITRATION OF THESE DISPUTES. NOTING THAT ONLY ABOUT HALF OF THE WORLD BANK'S MEMBERS ARE MEMBERS OF ICSID SO FAR, THE COMMISSION FURTHER RECOMMENDED THAT THOSE COUNTRIES WHICH HAVE NOT RATIFIED THE CONVENTION NECESSARY FOR MEMBERSHIP GIVE URGENT CONSIDERATION TO DOING SO. IT WAS AGREED THAT ACCEPTANCE OF AN INTERNATIONAL INVESTMENT DISPUTE SETTLE-

MENT MECHANISM IS A USEFUL ELEMENT IN PROVIDING ASSURANCES TO INVESTORS.

15. THE COMMISSION NOTED THAT MANY OPPORTUNITIES FOR PRODUCTIVE INVESTMENTS IN DEVELOPING COUNTRIES APPEAR TO HAVE BEEN BYPASSED DUE TO ACTUAL OR PERCEIVED POLITICAL RISKS. THIS HAS RESULTED IN AN INEFFICIENT ALLOCATION OF GLOBAL FINANCIAL RESOURCES AND HAS IMPEDED ECONOMIC DEVELOPMENT. IMPLEMENTATION OF THE COMMISSION'S PREVIOUS RECOMMENDATIONS WOULD GREATLY REDUCE THIS PROBLEM. IN ADDITION, THE COMMISSION RECOMMENDED THAT COUNTRIES RENEW THEIR EFFORTS TO SECURE A MULTILATERAL INVESTMENT INSURANCE SCHEME WHICH WOULD FACILITATE THE FLOW OF PRIVATE INVESTMENT BY INSURING INVESTORS AGAINST CERTAIN RISKS.

16. THE COMMISSION AGREED THAT THERE ARE A NUMBER OF WAYS TO MEET THE LEGITIMATE CONCERNS OF GOVERNMENTS REGARDING INVESTOR PRACTICES IN THEIR TERRITORIES. WITH

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RESPECT TO INTERNATIONAL ACTION, THE COMMISSION NOTED THE USEFUL WORK DONE BY THE U. N. COMMISSION ON TRANS-NATIONAL CORPORATIONS, ALONG WITH THE RELATED INFORMATION AND RESEARCH CENTER, TO IMPROVE PUBLIC UNDERSTANDING OF TNC ISSUES. THE COMMISSION AGREED THAT A PARTICULARLY LIMITED OFFICIAL USE

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USEFUL STEP WOULD BE THE ACHIEVEMENT OF INTERNATIONAL AGREEMENT AMONG GOVERNMENTS ON GENERAL PRINCIPLES OF GOOD CONDUCT FOR BOTH TNCs AND GOVERNMENTS IN THEIR RELATIONS WITH ONE ANOTHER. THIS WOULD HELP TO IMPROVE UNDERSTANDING BETWEEN TNCs AND GOVERNMENTS AND TO RESTORE PUBLIC CONFIDENCE IN THE BENEFITS OF A LIBERAL INTERNATIONAL INVESTMENT REGIME. IN ADDITION TO GENERAL CODES OF CONDUCT, IT MAY BE USEFUL TO DEVELOP INTERNATIONAL AGREEMENTS THAT DEAL WITH CERTAIN SPECIFIC MATTERS, SUCH AS RESTRICTIVE OR CORRUPT BUSINESS PRACTICES.

17. THE COMMISSION COMMENDED THE RECENT FOUR-FOLD CAPITAL REPLENISHMENT OF THE INTERNATIONAL FINANCE CORPORATION OF THE IBRD, NOTING THAT THIS WILL ENABLE THE IFC TO EXPAND THE FULFILLMENT OF ITS MANDATE TO STIMULATE PRIVATE SECTOR DEVELOPMENT IN DEVELOPING NATIONS.

18. IN ITS EXAMINATION OF THE SUBSTANTIAL REQUIREMENTS OF DEVELOPING NATIONS FOR EXTERNAL CAPITAL, THE COMMISSION NOTED THAT SOME OIL EXPORTING NATIONS ARE ACCUMULATING SIZEABLE FINANCIAL SURPLUSES AND DESIRE APPROPRIATE INTERNATIONAL INVESTMENT OPPORTUNITIES FOR THESE FUNDS. THE COMMISSION AGREED THAT THESE NATIONS SHOULD INVESTIGATE ALL REASONABLE INVESTMENT OPPORTUNITIES IN DEVELOPING NATIONS. OTHER NATIONS SHOULD SEEK TO FACILITATE SUCH INVESTMENT FLOWS TO THE CAPITAL DEFICIENT DEVELOPING NATIONS. THE PRIVATE AND GOVERNMENTAL INVESTORS OF

THESE FINANCIAL SURPLUS NATIONS SEEK STABLE, PREDICTABLE INVESTMENT CLIMATES, FAIR TREATMENT, AND ASSURANCES OF THE SECURITY OF THEIR INVESTMENTS. THEREFORE, THE MEASURES RECOMMENDED TO ASSURE THE FLOW OF PRIVATE DIRECT INVESTMENTS FROM INDUSTRIALIZED NATIONS WILL ALSO FACILITATE INVESTMENT FLOWS FROM THE FINANCIAL SURPLUS NATIONS. IN ADDITION, THE COMMISSION RECOMMENDED THAT MEASURES BE DEVELOPED TO PROMOTE THE CONCEPT OF TRIANGULAR INVESTMENTS IN WHICH TECHNOLOGY, EQUIPMENT, AND MANAGEMENT SKILLS FROM INDUSTRIALIZED COUNTRIES ARE COMBINED WITH CAPITAL FROM FINANCIAL SURPLUS COUNTRIES IN ORDER TO CARRY OUT PRODUCTIVE INVESTMENT PROJECTS IN DEVELOPING COUNTRIES. HOST COUNTRY PRIVATE INVESTORS MIGHT ALSO LIMITED OFFICIAL USE

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DIRECTLY PARTICIPATE IN SUCH PROJECTS.

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**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Source:** CORE  
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**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Review Action:** RELEASED, APPROVED  
**Review Authority:** ElyME  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 07 APR 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <07 APR 2004 by ElyME>; APPROVED <04 AUG 2004 by ElyME>  
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**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** CIEC FINANCIAL AFFAIRS COMMISSION: U.S. PAPER ON ACCESS TO CAPITAL MARKETS AND DIRECT INVESTMENT LIMITED OFFICIAL USE  
**TAGS:** EFIN, EINV, US, CIEC  
**To:** SECSTATE WASHDC BRUSSELS BERN STOCKHOLM OTTAWA TOKYO CANBERRA EC BRUSSELS  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006